



The President's Daily Brief

July 31, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 31, 1974

PRINCIPAL DEVELOPMENTS

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The US embassy in Athens believes the new cabinet named by Prime Minister Karamanlis has vindicated the old Greek political establishment by honoring those who resisted the military regimes. (Page 3)

Bonn has responded to East Germany's first interference with travel to West Berlin by a member of the Federal Environmental Office by requesting a meeting of the Inter-German Transit Commission. This is the lowest-level political protest that Bonn can make. (Page 4)

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Italy

(Page 5)

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Iron ore producing countries plan to meet in late October to establish an exporters' association. They want to discuss a minimum increase of 150 percent in the price of their iron ore. (Page 6)

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Zaire

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North Korea

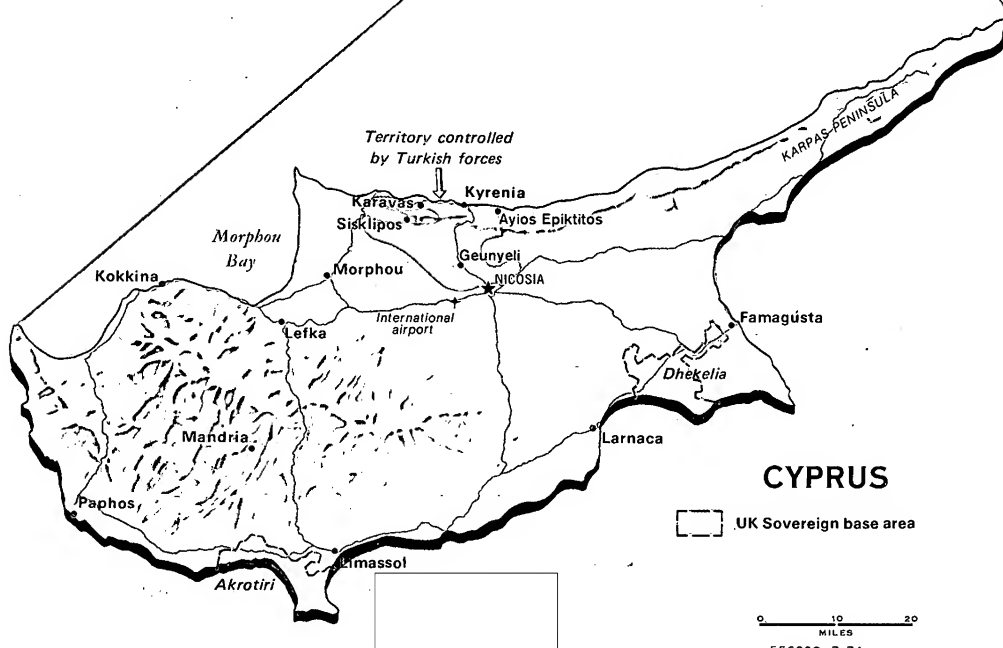
(Page 7)

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Notes on Saudi Arabia - Abu Dhabi, Saudi Arabia, and Chile appear on Page 8.

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GREECE-CYPRUS-TURKEY

The first phase of the Geneva peace talks came to a successful conclusion yesterday when the foreign ministers of Britain, Greece, and Turkey signed an agreement formalizing the cease-fire on Cyprus. Major negotiating difficulties lie ahead when the ministers meet again on August 8 to discuss the political future of the island. Representatives of the Greek and Turkish Cypriot communities will participate in the next round of talks.

The agreement indicates that Athens acceded to Turkey's major demands. Turkish refusal to accept the word "withdrawal" was resolved by a statement calling for "measures that will lead to the timely and phased reduction of the number of armed forces and materiel on Cyprus." The agreement also recognizes the existence in practice of two autonomous administrations on Cyprus, although it was noted that this recognition would not "prejudice the conclusions to be drawn from this situation." The ministers agreed to discuss this matter at the next stage of the talks, as well as the "constitutional legitimacy" of the Turkish Cypriot vice president of Cyprus. The agreement also notes that all Turkish enclaves occupied by Greek Cypriot forces should be evacuated immediately.

A longer term settlement for Cyprus is clouded by the prospect that Archbishop Makarios might return to the island. In London yesterday, Makarios insisted that he was the elected president of Cyprus and that "nothing" could prevent him from returning to the island. He added that his main concern was for the future of Cyprus and that the timing of his return would depend on developments.

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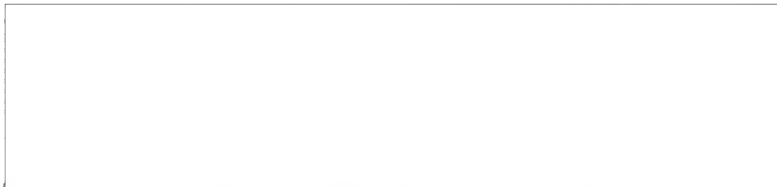
A former cabinet minister under Makarios also predicted civil war if the archbishop returns. He told a US embassy official that President Glafkos Clerides was generally acceptable to all political groupings.

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[redacted] In a press conference of July 28, the general secretary of the powerful Cypriot Communist Party made a statement that appeared to endorse Clerides' candidacy. The party had previously been a staunch supporter of Makarios.

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Scattered incidents of fighting were reported again yesterday on Cyprus. President Clerides complained to the US embassy about reported Turkish movements near Sisklipos, northwest of Nicosia. Turkish military sources told US embassy officials that there were still pockets of Greek resistance in this area, including one artillery piece that has been shelling Turkish forces on the beaches.

The Greek National Guard said that Turkish infantry and tanks attacked Guard units in another incident apparently to the west of Nicosia. A regiment of Turkish troops supported by armor and artillery reportedly also marched east of Nicosia to strike positions along a Greek-held section of a road to the capital.

[redacted]
that the airport at Soudha Bay has been closed. A US aircraft also was not permitted to approach within five miles of either Elefsis or Tanagra air base on the Greek mainland. [redacted]

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[redacted] that the two incidents were related, and that the Greeks are attempting to hide a possible resupply attempt for Greek forces on Cyprus. There is no other evidence that a military resupply is under way, although press reports indicate the Turks are concerned about supplies and reinforcements reaching Cyprus from either Crete or Rhodes.

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GREECE

The US embassy in Athens, in evaluating the new cabinet named by Prime Minister Karamanlis last week, believes Karamanlis has vindicated the old Greek political establishment by honoring those who resisted the military regimes.

Karamanlis made no concession to the far left in his appointments, nor to popular heroes, but has nominated a solid profile of those who stood in firm, consistent, and rational opposition to the junta. At the same time, however, Karamanlis denied positions of influence to those most inclined to seek revenge against the military.

The embassy cannot judge yet whether the cabinet as a whole will have much responsibility or power. While some ministries were assigned to men perhaps better suited to other offices, key posts--interior, defense, foreign affairs, and public order--are in the hands of patriots and proven leaders. Overall, the cabinet's makeup nevertheless suggests that family ties and respectable connections were still helpful in obtaining appointments.

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GERMANY

Bonn has responded to East Germany's first interference with travel by a member of the Federal Environmental Office by requesting a special meeting of the Inter-German Transit Commission tomorrow. This is the lowest-level political protest that Bonn can make and follows East Germany's refusal on July 29 to let a member of the environmental office travel to West Berlin on the autobahn. The commission is the institutional mechanism for dealing with any problems arising out of the transit agreement of December 1971 between East and West Germany.

As a follow-on, Bonn's permanent representative in East Berlin is prepared to demand consultations with the East German Foreign Ministry if Pankow refuses to attend the talks or if the commission fails to resolve the problem. The West Germans are also urging the three Western Allies to issue a formal demarche to Moscow demanding that East Germany desist from interference that contravenes the Quadripartite Agreement on Berlin.

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ITALY



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The possibility of significant support developing for a move against the government seems less likely now than it did last spring. Italy's political and economic scene remains unsettled, but it is now less tense. The governing coalition has survived a divisive debate over economic policy, due largely to the forceful intervention of President Leone, and the government has initiated a stiff austerity program to help alleviate Italy's economic crisis. Finally, conservative fears of a shift to the left in the near future should have been allayed somewhat by a recent Christian Democratic policy statement that reaffirmed the party's policy opposing collaboration with the Communists.

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*FOR THE PRESIDENT ONLY***IRON ORE PRODUCERS**

Venezuela, Brazil, Liberia, Peru, Chile, India, Algeria, and Gabon--called the Caracas group after the site of their first organizational meeting in October 1968--will hold a ministerial conference in Geneva in late October in an attempt to establish an iron ore exporters' association. They want to discuss a minimum increase of 150 percent in the price of their iron ore.

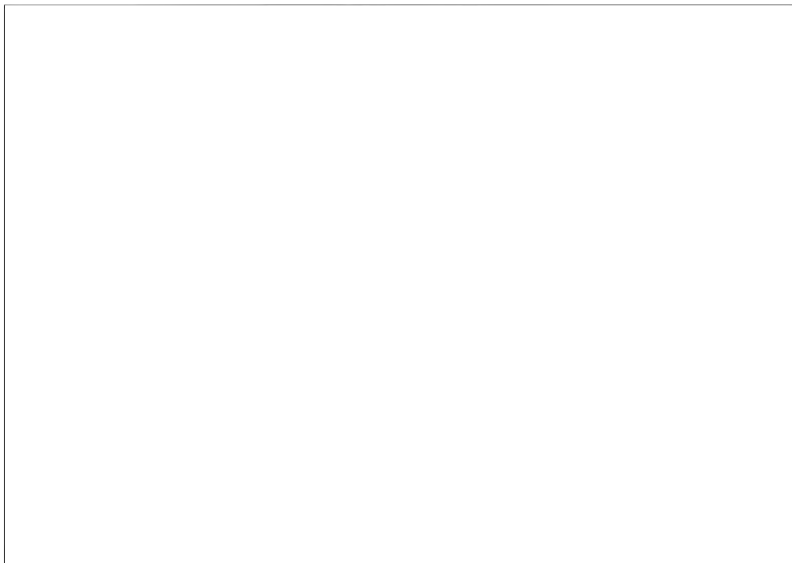
Iron ore imports provide 30 percent of US iron ore supplies. The Caracas group provides slightly less than half of these US imports. Iron ore accounts for 7 percent of the average cost of producing steel in the US.

The ability of the Caracas group to influence prices will depend largely on whether these countries can get the cooperation of Canada, which provides the other half of US imports. Canada has been taking a more positive attitude toward international producer organizations than it had in the past. It does not appear likely, however, that Ottawa will join in the high price increase that the Caracas group has in mind. Canada's wider interests in trade with other developed countries argue for policies of moderation in questions of pricing and access to mineral resources.

If, despite such considerations, Canada decided to support a substantial increase in the price of iron ore, the cost of US imports would rise and higher international prices could be sustained. This would encourage development of low-grade US deposits and new foreign sources.

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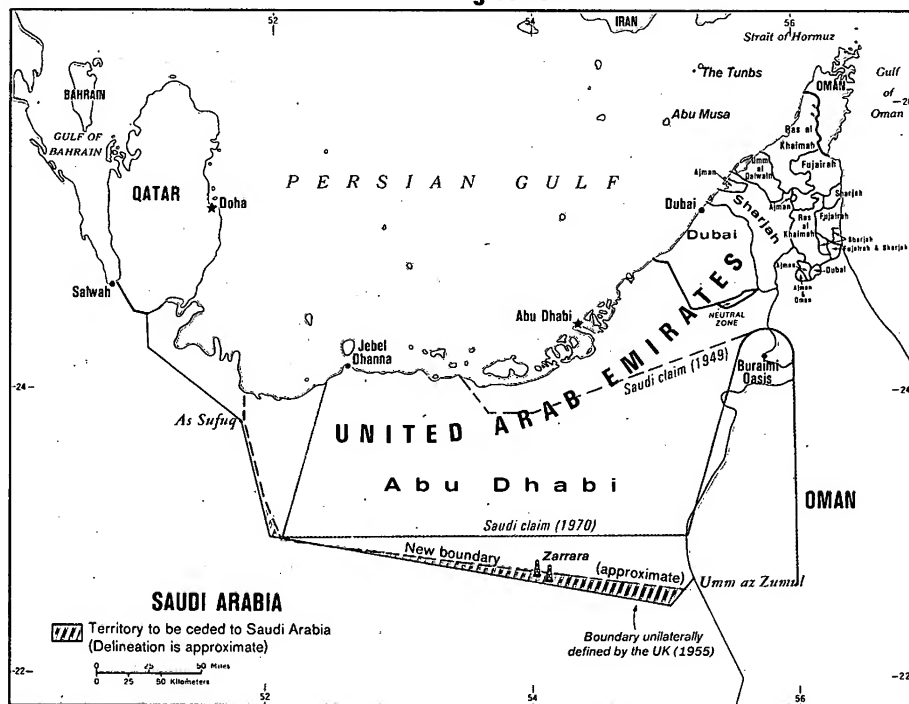
ZAIRE - NORTH KOREA



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Saudi Arabia-United Arab Emirates Border Agreement



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NOTES

Saudi Arabia - Abu Dhabi: Saudi Arabia and Abu Dhabi have settled a long-standing border dispute that has stood in the way of fuller security cooperation between the Saudis and their neighbors along the Persian Gulf. A preliminary agreement, signed on July 29, gives the Saudis a corridor to the gulf and control over part of the Zarrara oil fields on the border. The Saudis, in return, renounced their claims to the Buraimi oasis and are likely soon to extend diplomatic recognition to the United Arab Emirates. The final agreement is to be signed when Sheikh Zayid, the ruler of Abu Dhabi and president of the United Arab Emirates, makes a visit to Saudi Arabia, presumably within the next few months.

Saudi Arabia: A hitch may have developed in Saudi Arabia's plan to auction a portion of its oil production at whatever price the market will bear--a price presumably below current levels. Saudi oil minister Yamani has told the US ambassador that Prince Fahd, chairman of the country's Supreme Petroleum Council, is opposed to the auction and would rather sell directly to individual companies, despite the fact that all the other members of the council reportedly approved the plan for a sealed-bid sale. In the end, King Faysal, currently on an extended visit to Egypt, will make his own decision on whether to go ahead with the auction, but Fahd's opposition could be a significant factor.

Chile: The four death sentences handed down by an air force court-martial yesterday are likely to be commuted. The junta, which will have the final word on the death sentences, has been increasingly sensitive to the harmful effects that executions have had on Chile's international image. All death sentences handed down by military courts so far this year have been commuted. Other sentences imposed yesterday, ranging from 300 days to life in prison, may also be reduced on appeal to higher military authorities.

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